KCE Electronics Pcl (KCE TB) - BUY, Price Bt86.75, TP Bt95.00

Results Comment

Pattadol Bunnak | Email: pattadol.bun@thanachartsec.co.th

Slightly-weaker-than-expected 3Q21

- Norm earnings were Bt602m, + 234% y-y from the COVID-led low base in 3Q20 and +8% q-q.
- Sales increased 39% y-y. Though PCB sales volume fell 4% q-q from the delayed shipment due to the container shortage and the production hiccup at its factories (COVID outbreak), sales value grew 7% q-q due to 1) the full-impact of price increased since 2Q21 and 2) falling baht q-q.
- Gross margin was 27.2% vs. 19.0% in 3Q20 and 29.0% in 2Q21. Gross margin fell from 2Q21 because of the negative operating leverage impact of lower sale volume.
- SG&A to sales fell to 10.4% from 11.3% in 3Q20 from higher sales volume and from 12.9% in 2Q21 (a high base quarter).
- So far in 4Q21, KCE mentioned operation at its factories return to near normal.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Revenue	2,722	3,418	3,415	3,536	3,789
Gross profit	**518**	**826**	**855**	**1,027**	**1,029**
SG&A	309	389	402	457	395
Operating profit	209	437	453	570	634
EBITDA	**466**	**702**	**662**	**874**	**883**
Other income	25	26	40	64	27
Other expense	0	0	0	0	0
Interest expense	17	13	10	13	9
Profit before tax	**217**	**451**	**482**	**621**	**652**
Income tax	34	43	49	56	45
Equity & invest. income	1	3	4	4	4
Minority interests	(4)	(5)	(7)	(11)	(9)
Extraordinary items	70	(26)	73	59	2
Net profit	**250**	**381**	**503**	**618**	**604**
Normalized profit	**180**	**406**	**430**	**559**	**602**
EPS (Bt)	0.21	0.32	0.43	0.53	0.51
Normalized EPS (Bt)	0.15	0.35	0.37	0.48	0.51

Income Statement			9M as		
(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	7	39	72	14,921	17,798
Gross profit	**0**	**99**	**67**	**4,357**	**6,068**
SG&A	(14)	28	68	1,839	2,003
Operating profit	11	203	66	2,518	4,065
EBITDA	**1**	**90**	**66**	**3,656**	**5,316**
Other income	(58)	7	130	100	102
Other expense					
Interest expense	(30)	(47)	43	75	96
Profit before tax	**5**	**200**	**69**	**2,544**	**4,071**
Income tax	(18)	32	87	173	296
Equity & invest. income	(2)	332	118	10	11
Minority interests	na	na	515	(5)	(6)
Extraordinary items	(96)	(97)	na	0	0
Net profit	**(2)**	**142**	**73**	**2,376**	**3,781**
Normalized profit	**8**	**234**	**67**	**2,376**	**3,781**
EPS (Bt)	(2)	142	73	2.01	3.20
Normalized EPS (Bt)	8	234	67	2.01	3.20

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Cash & ST investment	2,145	2,347	2,770	2,758	2,492
A/C receivable	2,698	3,174	3,739	3,886	4,169
Inventory	2,502	2,594	2,697	3,323	3,962
Other current assets	72	69	80	74	83
Investment	186	187	191	185	191
Fixed assets	8,267	8,107	8,081	8,112	8,697
Other assets	895	898	950	1,016	955
Total assets	**16,765**	**17,377**	**18,507**	**19,354**	**20,548**
S-T debt	2,024	1,670	1,444	1,931	15,278
A/C payable	1,886	2,458	2,855	3,084	4,000
Other current liabilities	49	88	138	107	(13,013)
L-T debt	775	676	1,012	984	1,115
Other liabilities	418	423	427	432	431
Minority interest	48	52	59	60	59
Shareholders' equity	**11,565**	**12,010**	**12,573**	**12,757**	**12,677**
Working capital	3,314	3,311	3,581	4,125	4,130
Total debt	2,799	2,346	2,455	2,915	16,393
Net debt	**654**	**(1)**	**(314)**	**157**	**13,901**

Financial Ratios					
(%)	3Q20	4Q20	1Q21	2Q21	3Q21
Sales growth	(11.9)	17.8	4.8	66.2	39.2
Operating profit growth	(3.4)	100.1	28.5	783.2	203.4
EBITDA growth	1.2	50.1	7.0	169.6	89.5
Norm profit growth	(17.1)	89.7	19.7	663.0	234.4
Norm EPS growth	(17.3)	89.3	19.5	661.3	234.4
Gross margin	19.0	24.2	25.0	29.0	27.2
Operating margin	7.7	12.8	13.3	16.1	16.7
EBITDA margin	17.1	20.5	19.4	24.7	23.3
Norm net margin	6.6	11.9	12.6	15.8	15.9
D/E (x)	0.2	0.2	0.2	0.2	1.3
Net D/E (x)	0.1	(0.0)	(0.0)	0.0	1.1
Interest coverage (x)	27.8	55.9	63.8	68.9	99.2
Interest rate	2.1	2.0	1.7	1.9	0.4
Effective tax rate	15.8	9.4	10.2	9.0	7.0
ROA	4.2	9.5	9.6	11.8	12.1
ROE	6.2	13.8	14.0	17.6	18.9

Sources: Company data, Thanachart estimates

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